

Now, first, let me ask, Mr. Chairman, to be sure that exhibit A is part of the record.

Chairman PROXMIRE. Absolutely. Yes, indeed. I am glad you recommended that. That should be in.

Representative CURTIS. Yes. It shows the studies that you have been making in capsule form.

Now, let me ask you a question. I have in front of me the Sixth Annual Report of the U.S. Arms Control and Disarmament Agency, transmitted February 20, 1967. That is correct. That is the date. This is the period January 1 to December 31.

Now I have been scanning it, and I want to be sure I am right. About the only part of this report that deals with the economic impact of reduced defense spending begins on page 22, and goes over to page 24.

The purpose of my asking the question is to try to settle in my own mind the extent of your involvement in this matter in light of your other duties and the other work that your agency is performing.

This is a 27-page report. Would it be accurate to say that two and a half pages of a 27-page report is about the proportion of time that you would spend on this aspect of your work? The rest of it would be in the area of various international agreements and so forth?

Mr. Chairman, may we include the pages I refer to in the record?

Chairman PROXMIRE. Without objection it is so ordered.

Representative CURTIS. Would you comment, Mr. Alexander?

(The portion of the report referred to by Representative Curtis, pp. 22-24, is reprinted below:)

ECONOMIC IMPACT OF REDUCED DEFENSE SPENDING

Under its legislative mandate, the Agency conducts research on the economic consequences of arms control and disarmament and the reallocation of national resources. The sharp increase in defense spending imposed by the Vietnam conflict has underlined the importance of preparing for economic adjustment to eventual reductions in defense expenditures. ACDA, working in close cooperation with other Federal agencies represented on the President's Committee on the Economic Impact of Defense and Disarmament, continues to give the matter careful attention in its program of studies.

Planning requires a systematic knowledge of the flow of defense dollars and of the jobs thus created in certain industries and areas of the country. The task is complicated by the degree to which the dollars going to prime contractors ultimately are received by many large and small subcontractors and material suppliers scattered throughout the country. The survey of "Shipments of Defense-Oriented Industries" conducted by the Census Bureau with funds contributed by ACDA, the Department of Defense, NASA, and AEC has made an important contribution to overcoming this difficulty.

ACDA and other agencies are working to develop other means for estimating the impact on individual industries of changes in major defense programs. One coordinated research effort, for example, relates to the economic effects of a strategic nuclear delivery vehicle freeze agreement—or a possible agreement not to deploy ABM systems. A freeze on missile production would have an obvious impact on metal industries providing metals both for missiles and machinery.

For many communities in the United States, defense-related activity has been an important source of economic growth, and reductions in that activity—unless planned for in advance—may create serious local unemployment, declines in retail sales and construction, and depressed property values. Local problems may derive from the closing of military installations or from cutbacks in defense orders of goods and services. ACDA research is addressed to both situations. The Agency's contract with the University of Kansas, for example, calls for an evaluation of the economic experience of Bangor, Maine; Middletown, Pa.; Savannah, Ga.; Salina, Kans.; Mobile, Ala.; Amarillo, Tex.; and Moses Lake,